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Supreme Court of the United States

OCTOBER TERM, 1953

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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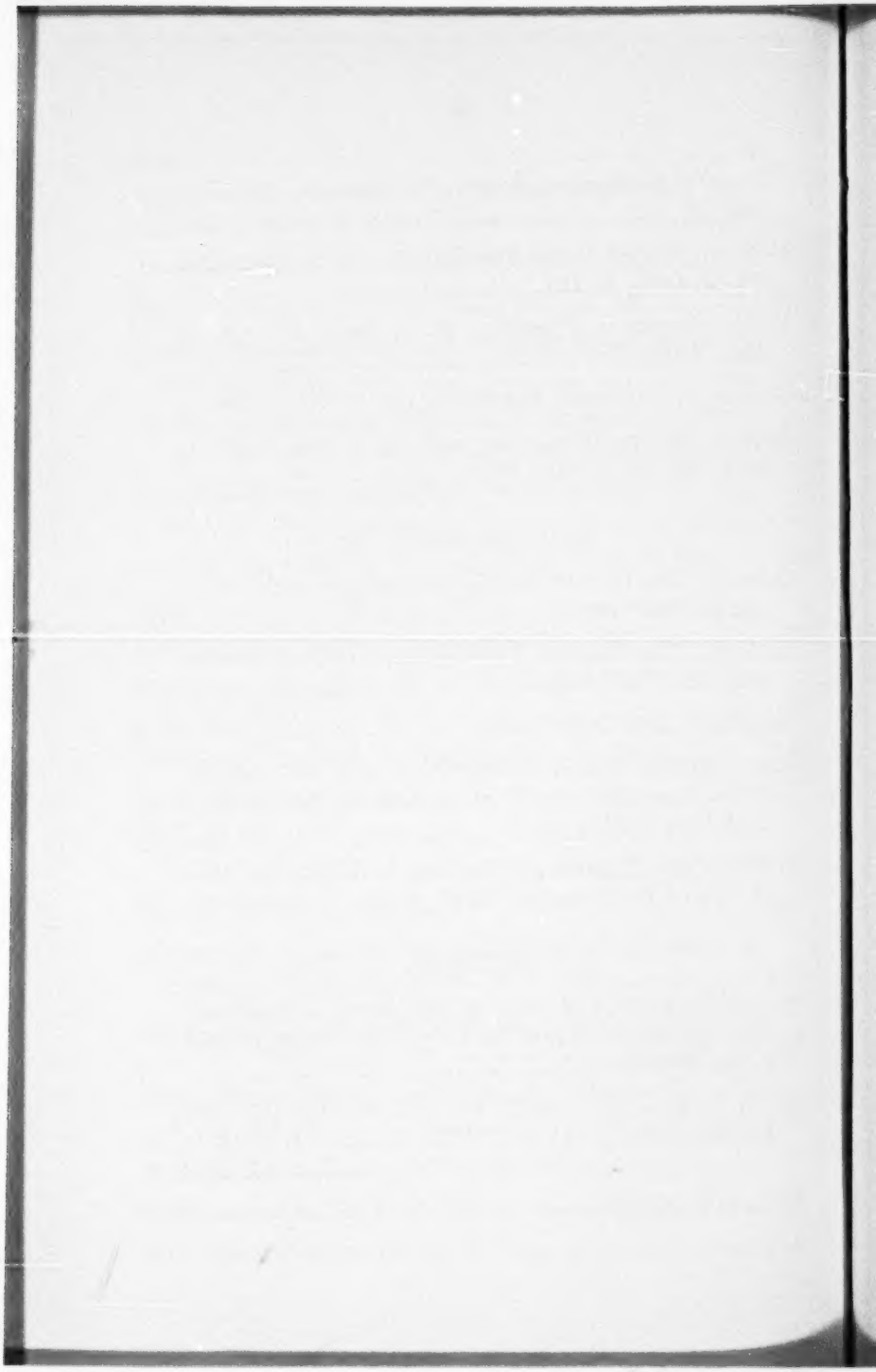

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Petitioners,

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Statement

This is a trade-mark infringement and unfair competition action. Petitioners * seek to restrain a small gasoline station owner from maintaining a sign which they claim infringes their "AAA" emblem (7-24).†

The District Court granted the injunction sought (101 F. Supp. 185), without a trial, on petitioners' motion for

* When referred to individually hereafter, The American Automobile Association (Incorporated) will be called the Association, and Automobile Club of New York, Inc. will be called the Club.

† All references, unless otherwise noted, are to the folios in Appendices to Briefs in the United States Court of Appeals for the Second Circuit. The following Exhibits referred to herein have not been printed but one copy thereof has been certified and submitted herewith: Powers' Affidavit Exhibit 3; Powers' Deposition Exhibits 2, 25, 28, 29, 33, 36; Spiegel's Affidavit Exhibits 2, 3, 4, 5, 6 and 2 unnumbered; Colodny's Deposition Exhibits 38, 39, 41; Smith's Affidavit Exhibits 1, 4.

summary judgment (322-327). This equitable relief was granted despite respondent's affirmative defenses that petitioners (1) came into Court with "unclean hands", (2) are using their mark to violate the Federal and State antitrust laws, (3) do not have a valid mark, (4) and failed to show the District Court's jurisdiction to entertain the action.

Respondent appealed and the Court of Appeals for the Second Circuit reversed, remanding the case for trial on the question of jurisdiction as well as on the merits (205 F. (2d) 771). The Court of Appeals expressed grave doubt as to the District Court's jurisdiction, holding the showing of an infringement was too "unsubstantial" to sustain pendent jurisdiction over the cause for unfair competition, and that the Lanham Act did not create a federal cause for unfair competition. The Court continued, that even if federal jurisdiction were established the District Court,

> "should not attempt to dispose of the merits summarily, but only after a trial. We think that the defences present issues that are by no means frivolous, and that may be decided only after the facts are fully developed" (p. 192).

It is apparent, therefore, that petitioners' application for a writ is premature in light of the interlocutory nature of the Court of Appeals' determination, and the host of triable issues of fact raised by respondent's defenses and denials. A determination on the merits after trial may remove from relevance, and make it unnecessary for this Court, to pass upon, the jurisdictional questions raised by petitioners.

Facts and Respondent's Defenses

Respondent, the owner of a small gasoline station in Brooklyn (9, 17, 167, 181; Ex. 3, Powers' affid.), displayed an oilcloth sign suggesting the familiar "AAA" insignia

(122, 123, 346, 352; Ex. 3, Powers' affid.; 361, Exs. 2, 3, Spiegel's affid.). Respondent had first applied for affiliation with petitioners but was arbitrarily refused admission (170, 171, 172, 175, 176). Respondent then erected his sign in July, 1949 (75, 172) out of sheer economic necessity to meet the unlawful combination of stations affiliated with the Club which displayed the official "AAA-Savings Plan" emblem (128, 129, 175, 176, 178, 179, 182, 183). This emblem, the alleged trademark which petitioners seek protected, is itself the instrumentality whereby petitioners violate the New York City price-posting law and the anti-trust laws of the United States and the State of New York (26-41, 103-109, 136, 137). By use of this mark petitioners effectively restrain and destroy competition from non-affiliated gasoline stations such as respondent's.

Violation of New York City Price-Posting Law

New York City has a price-posting law which prohibits the use in the retail sale of gasoline of a "sign or placard stating or referring directly or indirectly to the price or prices of gasoline * * *" except a sign or placard not smaller than 7″ x 8″, not larger than 12″ x 12″ and affixed to the dispensing pump (ch. 363, Laws of the State of New York of 1924, as amended, Administrative Code, City of New York, Art. 8, Sec. B36-103.3, enacted 1939, amended 1941; 26-37, 59-66).

Petitioners are using their "AAA" mark in connection with the retail sale of gasoline in such a manner as to make it a price sign in violation of the statute (26-37, 89, 96, 97, 107-109, 179). Petitioners have done this by means of a so-called "Savings Plan" (107-109).

This "Savings Plan" is designed to mass the purchasing power of Club-motorist members and divert it to certain gasoline stations approved by and affiliated with the Club (529-531; Ex. 29, 36, Powers' deposit.; Ex. 41, p. 16, Co-

lodny's deposit.). These affiliated stations are licensed by the Club to display the "AAA-Savings Plan" insignia, a metal sign 18" x 16" in striking blue and white, designed to catch the eye of Club-motorist members (93, 123, 269, 361, 373-384, 514-525).

To obtain Club approval a station must agree to give all Club members a 10% rebate on all products purchased, including gasoline, and to display the Club's "AAA" emblem. This rebate is given in the form of coupons which are sold in quantity by the Club to the affiliated stations for distribution to Club members. The Club members then theoretically redeem these coupons for cash at the Club's offices (26-37, 105-107, 219-227, 266, 267, 373-384, 514-525).

As a result of this scheme, it was not long before the "AAA-Savings Plan" sign acquired the secondary meaning among the general public, Club members and non-members alike, of "BUY GASOLINE HERE AND SAVE 10%" (26-37, 89, 107, 128, 132, 175, 176, 182, 183). The "AAA" mark when displayed by a gasoline station took on this meaning in the Club member's mind because he knew by trading there he would receive redeemable coupons equal to 10% of his purchase.

Affiliates realizing the tremendous advantage given them by the Club's scheme sought to improve on this position by giving the 10% discount to all comers, members and non-members alike (35, 36, 107, 108, 175, 176); non-members received the discount in cash. This practice was also brought about by the affiliates' inability to discriminate between Club member and non-member; to give the discount to members alone would cost the affiliate the good will of his non-member customers. The practice soon got out of hand and the discount was given to all (35, 36); the affiliated stations were anxious to acquire the extra business which went with being known for giving a 10% cash discount; employees of affiliates could not distinguish between customers and transients and to be safe gave the

cash discount to all. When this practice became widespread all affiliates had to give the discount to all comers out of self-defense; otherwise the non-member motorist would go to another "AAA" affiliated station where he could get the cash discount.

Thus, Club members and non-members alike look for petitioners' mark, "AAA-Savings Plan", and seek out and patronize those stations displaying that mark because to them it means "BUY GASOLINE HERE AND SAVE 10%" (35, 36, 107, 108, 175, 176, 182, 183). Consequently, petitioners' mark has acquired a secondary meaning in the mind of the general motoring public, so that it now constitutes a "sign or placard stating or referring directly or indirectly to the price or prices of gasoline" (26-37, 61, 62, 107, 108, 175, 176, 182, 183).

Petitioners' mark, constituting a price sign within the meaning of the New York City price-posting law, is clearly violative of that law. Petitioners' sign is 18″ x 16″, larger by far than the 12″ x 12″ maximum permissible size (Spiegel's affid., unnumbered ex., 27, 60, 215). Petitioners' sign is not annexed to the dispensing pump as required by the statute, but is characteristically displayed from a much more conspicuous location (27, 28, 60, 61, 361).

Affiliated stations displaying the "AAA-Savings Plan" sign have a tremendous advantage over non-affiliates. The affiliates can advertise their price discount conspicuously and with impunity; the non-affiliates, because of the New York City price-posting law, cannot (128, 129, 175-179, 182). Motorists being price conscious, the advertising of the price discount in this manner has had the effect of enabling the affiliates to "corner" an increasingly large part of the retail gasoline business (37-41).

The natural reaction of non-affiliated stations such as respondent's has been to match the discount given by affiliated stations (175-178, 182, 186). However, this effort to attain equality of competitive position has been rendered

nugatory by the New York City price-posting law (176-179). Obviously non-affiliates cannot bring their message home to the motoring public on a 12″ x 12″ placard affixed to the pump (177, 178). Cars move swiftly and unless a sign is large and prominently displayed it will not be seen. A 12″ x 12″ sign affixed to the pump is not readily visible from the street.

However, the "AAA-Savings Plan" sign is sufficiently large (18″ x 16″; statutory maximum 12″ x 12″) and is characteristically displayed prominently so that it will be readily visible to the motorist (93, 123, 361-363; unnumbered Ex. Spiegel's affid., 182, 183, 215). Thus, this "AAA-Savings Plan" sign gives affiliates a competitive advantage which non-affiliates cannot match, i.e., the ability to effectively advertise a price discount (128, 129). This advantage is illegal since the "AAA-Savings Plan" sign is larger than the statute permits and is displayed from locations forbidden by the statute (93, 123, 361-363; unnumbered Ex. Spiegel's affid., 26-29, 215).

Petitioners have been aware for many years that their mark has acquired a meaning, and is being used in a manner, which renders it violative of the New York City price-posting law (34, 37). Therefore petitioners come into this court of equity with "unclean hands" seeing judicial protection for the very mark whereby they violate law (25-37); and consequently are not entitled to relief. *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *Worden* v. *California Fig Syrup Co.*, 187 U. S. 516; *Manhattan Med. Co.* v. *Wood*, 108 U. S. 218; *Affiliated Enterprises* v. *Gantz*, 86 F. 2d 597, 599 (10 Cir., 1936); *Youngs Rubber Corp.* v. *C. I. Lee & Co.*, 45 F. 2d 103, 109 (2 Cir., 1930); *Kessler* v. *Schreiber*, 39 F. Supp. 655 (D. C., S. D. N. Y., 1941); *Wertz Novelty* v. *Chandler*, 30 F. Supp. 774 (D. C. Mo., 1939); *"5"-Spot Short Range Gun Club* v. *Rinehart*, 56 Ohio App. 259, 10 N. E. 2d 450; *Ultem Publications* v. *Arrow Publications*, 166 Misc. 645 (N. Y.); *Portsmouth Brewing Co.* v.

Portsmouth Brewing & Bottling Co., 67 N. H. 433, 30 A. 346; *McVey* v. *Brendel*, 144 Pa. 235, 22 A. 912; 15 U. S. C. 1115(a); Callman, *The Law of Unfair Competition and Trademarks* (2nd ed.), p. 1745; 4 Toulmin's Anti-Trust Laws, 779-783.

Violation of Federal and State Anti-Trust Laws

The advantage to stations to become affiliated with petitioners, to participate in the "Savings Plan" and to display the "AAA" mark is very substantial. The Club has a membership of 275,000 (151); the Association has a membership of 3,250,000 (151). There are about 650 stations affiliated with the Club in the five boroughs of New York City (Ex. 28, Powers' deposit.) (there are about 2,000 * stations in the five boroughs); 269 out of a total of 700 stations in respondent's borough, Brooklyn, are affiliated (38, 286, 287); 350 are affiliated in Westchester and Nassau Counties (Ex. 28, Powers' deposit.); 200 more are affiliated in Suffolk, Dutchess, Orange, Rockland, Putnam, Ulster and Sullivan Counties (Ex. 28, Powers' deposit.).

Every affiliate is joined to each other through the Club by means of a written contract whereby the affiliate agrees to display the combine's mark, "AAA", and to give a 10% discount to all Club members. The Club promises, in turn, to recommend to all its members the advantages of dealing with the affiliate (161, 222-227, 373-384, 514-525). This contract also prohibits affiliates from giving to *all* persons, Club members and non-members alike, the dividend or discount coupons of any person, firm or corporation other than the Club. Each affiliate is so located that it will not be in the same natural area of competition with any other affiliate; in short, there is a division of the market among the affiliates. Petitioners freely concede this and admit

* A rough approximation based on the same ratio as exists in Brooklyn of affiliates to total number of stations.

this territorial division is rigidly observed to the exclusion of stations of acceptable construction, service, etc. (160, 161, 236-241, 526-528). Thus petitioners have created and maintain a system of uniform price rebates.

Affiliated stations quickly realized (1) by giving the 10% rebate they would be able to take advantage of the tremendous purchasing power represented by the combined Club membership; (2) they would have access to the motoring public generally since the "AAA" mark had acquired the meaning to all motorists, "BUY GASOLINE HERE AND SAVE 10%"; (3) they would have access to the 3,250,000 national Association members here from other states, since those members would be predisposed to deal with an "AAA" station, the "AAA" being a familiar landmark in a "strange" land to the Association member. Club affiliation soon became a very prized and much sought-after thing (175-177). Before long the Club, by granting or withholding affiliation, held and continues to hold the power of life or death over many stations.

The result of this scheme of affiliating stations in a so-called "Savings Plan" has been to enable the affiliates to "corner" an increasingly disproportionate share of the retail gasoline business in the New York City area (38-41). Affiliates acquire the business of Club members because of the "Savings Plan", of non-members because of the well-recognized meaning of the "AAA" mark ("Buy gasoline here and save 10%"), and of the national Association's 3,250,000 members in New York from other states because of their predisposition to trade with someone exhibiting the familiar "AAA" mark.

This concerted scheme has had a demoralizing effect on the non-affiliated gasoline stations. These stations have been steadily losing business to the favored affiliates (38-41). The gasoline retailing business in the commercially strategic New York City area when regarded as a unit constitutes, because of its magnitude, interstate trade or commerce. Consequently, the ability of non-affiliates to

compete in interstate trade or commerce is being unreasonably restrained by petitioners' combine. Moreover, the loss in business by non-affiliates is reflected in smaller orders to their out-of-state suppliers. Consequently, the interstate trade and commerce of these out-of-state suppliers is also being unreasonably restrained by petitioners' scheme. Petitioners' scheme, dependent as it is upon *contracts* with all affiliates and upon a *combination* of many affiliates, violates the anti-trust laws of the United States (38-41).

It is at once apparent that petitioners' mark is the very instrumentality whereby this illegal scheme is effectuated (40). Without the distinctive "AAA" sign motorists would have no means of telling an affiliate from a non-affiliate. The "AAA" mark, prominently displayed, furnishes the swift-moving motorist with a ready guide for the identification of affiliates of petitioners' combine. This use by petitioners of this mark in violation of the federal anti-trust laws bars them from relief. Cf. *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661; *Associated Press* v. *U. S.*, 326 U. S. 1; *American Medical Association* v. *U. S.*, 317 U. S. 519; *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *U. S.* v. *Timken Roller Bearing Co.*, 83 F. Supp. 284 (N. D. Ohio, E. D., 1949); 15 U. S. C. 1; 15 U. S. C. 2; Callman, *The Law of Unfair Competition and Trademarks* (2nd ed.), 223, 1745, 2084; 4 Toulmin's Anti-Trust Laws, 779, 792, 793; 1 Toulmin's Anti-Trust Laws, 416, 417 (see also cases and authorities cited on pages 6-7 hereof).

Sight should not be lost of petitioners' Clayton Act violation. The contract with affiliates (375-384, 514-525) prohibits an affiliate, under penalty of disaffiliation, from entering into a similar Savings Plan arrangement with any other organization. The terms of this contract represent a flagrant violation of 15 U. S. C. 14, which prohibits the making of a contract on condition that the party with whom it is made shall not deal in a competitor's goods. Cf. *International Salt Co.* v. *U. S.*, 332 U. S. 392; *Fashion Originators Guild* v. *Federal Trade Commission*, 312 U. S. 457.

Alternatively it is urged, if this Court conclude that petitioners' monopoly and restraint on trade is intrastate (although it is contended that the monopoly and restraint are interstate), that petitioners are then violating the Donnelly Act of New York State (General Business Law, Secs. 340 et seq.). The Donnelly Act is the state counterpart of the federal Sherman Act. Violation of the Donnelly Act would render petitioners' hands "unclean" within the intent and holding of the authorities heretofore cited on pages 6-7 and bar petitioners from obtaining relief in this action.

Petitioners Have a Certification Mark Which Is Rendered Invalid by Their Discrimination in Restricting Use of Mark

Moreover, it is clear that petitioners do not have a trademark or service mark; they have a certification mark, similar in nature to the Good Housekeeping Seal of Approval. Aware that, to be valid, a trademark must be affixed to or displayed in close proximity to an article, petitioners make an impressive list of articles to which their "trademark" is affixed. They list such articles as key rings (192, 193), ash trays (191), pamphlets (194), writing paper (201, 202), maps (189), etc. But these objects are not manufactured by petitioners; they are manufactured for petitioners' account (195). Nor are these articles sold; they are distributed to members (203, 204, 255-258, 260, 261). Also these articles are so remote from the basic purposes and activities of petitioners (10-12; Exs. 38, 39, Colodny's deposit.) as not to be normally associated in the public's mind with petitioners' mark, and thereby preclude petitioners from claiming a trademark based upon this mark's affixation to those articles.

Petitioners likewise do not possess a service mark. Such a mark is used in the sale or advertising of services to identify the services of one person and distinguish them

from the services of others (15 U. S. C. 1127). Obviously petitioners' mark is not used to make such identification since it is clear that each affiliated station operator, as an independent businessman, performs the services. No one would believe for a minute, and certainly petitioners do not contend, that affiliated station owners perform services as mere agents or employees of petitioners.

What petitioners clearly have is a certification mark. It is "used upon or in connection with the products or services of one or more persons other than the owner of the mark to certify * * * quality, accuracy or other characteristics of such goods or services * * *" (15 U. S. C. 1127). It is like the familiar Good Housekeeping Seal of Approval or seal of the Board of Fire Underwriters. This is the meaning which petitioners have clearly designed their mark to take by certifying the quality of various products, such as Sunoco Dynalube (208-210; Exs. 4, 5, 6, Spiegel's affid.) and Goodrich tires (212, 213), accommodations (197) and gasoline service stations (233-239). This is the meaning which petitioners' mark has acquired in the mind of the public.

A certification mark becomes invalid when the holder discriminates among those to whom he will give the mark or when the owner permits the use of the mark otherwise than as a certification mark (15 U. S. C. 1064[d]).

Petitioners concede they do not give their mark to all station operators who apply, though all may own stations of equal quality; petitioners admittedly discriminate on the basis of physical proximity (160, 161, 234-242, 526-528). The Club will not approve a station within a mile of an affiliated station carrying the same brand of gasoline as the affiliate; the Club will not approve a station within a quarter of a mile of an affiliate regardless of the brand of gasoline sold (160, 161, 234-242, 526-528). The Club does this without regard to standards of appearance, cleanliness, service and the like (160, 161, 234-242). The Club adheres

to this policy of selective locations because it realizes the "market" value of its "AAA-Savings Plan" would be destroyed if it permitted adjacent stations to display the "AAA-Savings Plan" emblem. The monopolistic and restrictive conditions created by this discrimination is an excellent example of why the Lanham Act (15 U. S. C. 1064[d][4]) invalidates certification marks when the holder discriminates in certifying goods or services. Diggins, *The Lanham Trade-Mark Act,* 35 Georgetown Law Review, 147, 165.

Respondent is further prepared to show that stations with high standards of cleanliness, service, etc., were arbitrarily rejected by the Club while inferior stations were approved, this without reference to proximity or brand of gasoline sold (38, 142, 176).

In addition, petitioners' use of their certification mark as an indication of a price rebate is a further reason for invalidating that mark. The Lanham Act (15 U. S. C. 1064[d][3]) specifically calls for the cancellation of a certification mark at any time if the owner permits it to be used otherwise than as a certification mark.

Petitioners Fail to Show Federal Jurisdiction

Quite apart from the merits of this controversy petitioners have failed to establish federal jurisdiction. Diversity cannot be pleaded since the Club and respondent are residents of New York State (9, 166). *Strawbridge* v. *Curtis,* 3 Cranch. 267; *Salem Trust Co.* v. *Manufacturers Finance Co.,* 264 U. S. 182. Petitioners cannot maintain that this is an action under the Trademark Laws (15 U. S. C., Ch. 22) since the objectionable use is neither in nor does it have a substantial effect on interstate commerce. Respondent's station is small (181; Ex. 3, Powers' affid.), off the main thoroughfare (183) and *rarely* gets out-of-state cars (183-185). Petitioners do not fix even by approxi-

mation the percentage of respondent's business with out-of-state cars (184, 185). It could be .001% or .0001%. Certainly this doesn't make out a showing of interstate use or substantial interstate effect in the face of respondent's categorical denial of such use or effect (17-19, 26, 103).

Nor can petitioners plead the doctrine of pendant jurisdiction enunciated in *Hurn* v. *Oursler,* 289 U. S. 238, and codified in 28 U. S. C. 1338(b). Though petitioners sue for trademark infringement and unfair competition, jurisdiction in the trademark infringement cause is plainly too insubstantial, since no substantial showing of interstate use or effect of the objectionable sign is made to warrant the Court retaining jurisdiction to decide the cause for unfair competition.

Federal jurisdiction is absent for the further reason that, as pointed out by the Court below (pp. 188-192), the claim of infringement is too unsubstantial to warrant the Court retaining jurisdiction of the cause for unfair competition; respondent sold nothing which might even slightly lead purchasers to suppose that the source of origin of the goods was petitioners'. Finally, the Court below stated jurisdiction over the cause for unfair competition could not be retained under the Lanham Act (15 U. S. C. 1126), since that statute does not create a federal cause for unfair competition.

Petitioners' Other Activities

Finally, it should be understood that respondent has no quarrel with many of petitioners' activities to help the motorist. Respondent resists only the perversion of petitioners' "AAA" mark to the illegal and unwholesome uses of violating the New York City price-posting law and the anti-trust laws of the United States and the State of New York and conferring their mark in a discriminatory man-

ner. The good purposes in connection with which petitioners' mark is used cannot be carried over to legitimatize these illegal and unwholesome uses. The good and evil uses to which petitioners' mark is put are readily separable; a denial of the relief petitioners seek would not curb their wholesome activities but would make them comply with the price-posting, anti-trust and trademark laws just as any other person.

POINT I

Petitioners' application should be denied since judgment sought to be reviewed is interlocutory and therefore review at this time would be premature.

Assuming, for argument's sake (but not conceding), the truth of the reasons offered by petitioners for granting the writ, to wit, (1) conflict of circuits as to the jurisdictional question of whether the Lanham Act (15 U. S. C. 1126) creates a federal cause for unfair competition and (2) the Court of Appeals erroneously decided questions of federal law, (a) by failing to give full effect to 15 U. S. C. 1114(1)(b), which, if given effect, would sustain the District Court's jurisdiction, and (b) by holding the Lanham Act does not create a federal cause for unfair competition, petitioners' application is premature and should be denied.

Petitioners seek review of an interlocutory determination (reversal of summary judgment). The Court of Appeals has not finally passed upon this controversy but merely reversed the summary judgment of the District Court and sent the cause back for trial on the merits. It may well be that after such a trial the validity of respondent's defenses will be established, thereby rendering the jurisdictional questions moot. This Court then would not be called upon to decide those issues.

Even if this Court granted the application to consider the jurisdictional questions, it would (it is respectfully

submitted) do no worse to respondent than remand the cause for trial. Respondent's defenses, heretofore outlined and characterized by the Court of Appeals as presenting "issues that are by no means frivolous", would surely entitle respondent to a trial on the merits; a host of triable issues of fact exist. In light of this order of events it is clear this case must be tried on the merits. Since it must be tried, and since such trial may render the jurisdictional questions academic through a decision on the merits, it is apparent that the jurisdictional questions are not yet ripe for this Court's consideration. If the jurisdictional questions are still of more than academic interest after trial, it will then be timely for this Court to pass upon them.

This Court has on numerous occasions commented on the rare exercise of its power to review interlocutory determinations. Thus in *Denver* v. *New York Trust Co.*, 229 U. S. 123, this Court stated at page 133:

> "The exceptional power to review, upon certiorari, a decision of a Circuit Court of Appeals rendered on an appeal from an interlocutory order is intended to be and is sparingly exercised."

See also:

Hamilton-Brown Shoe Co. v. *Wolf Brothers & Co.*, 240 U. S. 251, 258;
Hanover Star Milling Co. v. *Metcalf*, 240 U. S. 403, 408-409;
American Construction Co. v. *Jacksonville, T. & K. W. Railway Co.*, 148 U. S. 372, 383-384;
The Conqueror, 166 U. S. 110, 113-114;
The Three Friends, 166 U. S. 1, 49.

The outstanding text, *Robertson & Kirkham, Jurisdiction of the Supreme Court of the United States*, at page 233 also makes note of this Court's reluctance to review by certiorari, interlocutory determinations, stating:

> "The Supreme Court, however, is also given authority by section 1254(1) to issue its writ of certiorari to review non-final judgments or decrees. * * * But the cases emphasize that the power to issue certiorari to review interlocutory judgments or decrees is to be exercised only in 'extraordinary cases', and *the fact that the decree sought to be reviewed is not final may, of itself, furnish sufficient ground for the denial of the application.*" (Emphasis supplied.)

These principles clearly require a denial of petitioners' application. The determination sought to be reviewed is obviously interlocutory. There is nothing "extraordinary" present in the jurisdictional errors assigned by petitioners; nothing that cannot await orderly disposition by trial, which, by a determination on the merits, may eliminate the existence of the jurisdictional issues petitioners urge this Court to review at this time.

POINT II

The Court of Appeals did not erroneously decide questions of federal law, in holding (1) petitioners' claim of infringement too "unsubstantial" to support pendant jurisdiction over the claim for unfair competition, and in holding (2) the Lanham Act does not create a federal cause for unfair competition.

Petitioners contend the Court of Appeals failed to give full effect to 15 U. S. C. 1114(1)(b), which they claim establishes an infringement without requiring a showing that confusion, mistake or deception as to origin of goods or services may result from the simulated mark. Had full effect been given, petitioners argue, a clear basis of jurisdiction would have been established. This argument is without merit and logic and relies upon a tortured interpretation of the statute.

15 U. S. C. 1114(1)(a) and (b) provides:

> "(1) Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of *any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services;* or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of *such goods or services,* shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this chapter, * * *." (Emphasis supplied.)

First, the confusion of source test, which petitioners characterize as "the restricted and antiquated 'palming-off' doctrine" relied on by the Court of Appeals, is neither restricted nor antiquated, but is in full vigor; it has been codified in the Lanham Act, 15 U. S. C. 1114(1). *Trade-Marks, Unfair Competition, and the Courts: Some Unsettled Aspects of the Lanham Act,* 66 Harvard Law Review 1094, 1096.

Second, petitioners quickly skip over the phrase "such goods or services" appearing in 1114(1)(b). This phrase obviously refers back to 1114(1)(a) which defines "such goods or services" as "any goods or services on or in connection with which such use [of a simulated mark] is likely to cause confusion or mistake or to deceive purchasers as to the source of origin" (brackets added).

Thus, clearly 1114(1)(b) incorporates the confusion of source test set forth in 1114(1)(a). Any other conclusion would lead to an absurd and illogical result. 1114(1)(a) patently is aimed at preventing the *use* and 1114(1)(b) the *reproduction and application* of objectionable marks. *Use* is

actionable only where confusion is likely. Yet petitioners would make reproduction and application actionable where confusion is not likely. Thus under petitioners' interpretation it would be wrong to *reproduce* and *apply* the mark, but not wrong to *use* the mark. Obviously such a result is contrary to all logic as well as the clear wording of the statute.

Consequently, since the confusion of source test is applicable under both 1114(1)(a) and (b), and since the Court of Appeals found no likelihood of consumer confusion here, that Court did not commit error in finding no substantial claim of trademark infringement had been established.

In addition to petitioners' foregoing legal contention, they argue (bottom page 12 and top 13) that factually a "substantial" claim of infringement was established. This is, of course, vigorously disputed, but in any event cannot aid petitioners' application since this error (assuming error) does not involve a broad question of federal law, but is of limited application only. This Court has often expressed its great reluctance to correct errors below. The late Chief Judge Vinson enunciated the reasons in an address before the American Bar Association which appears in the St. Louis Daily Record, September 8, 1949, page 1, column 7, saying:

> "The Supreme Court is not, and never has been, primarily concerned with the correction of errors in lower court decisions * * *. If we took every case in which * * * our prima facie impression is that the decision below is erroneous, we could not fulfill the constitutional and statutory responsibilities placed upon the Court. To remain effective, the Supreme Court must continue to decide only those questions which present questions whose resolution will have immediate importance beyond the particular facts and parties involved."

The Court of Appeals correctly held that 15 U. S. C. 1126 did not create a federal cause for unfair competition, and

hence petitioners could not base jurisdiction on this section, but would have to base it on 28 U. S. C. 1338(b) by showing a "substantial and related claim under the * * * trade-mark laws".

The Court of Appeals reached a carefully reasoned conclusion that Section 1126 does not create a federal cause for unfair competition for every plaintiff, but only for foreign nationals whose governments have entered into the treaties of 1883, 1929 or any other convention or treaty for the repression of unfair competition with the United States, against U. S. citizens, *and* only reciprocally for U. S. citizens against the foreign nationals of the governments who entered into the treaties or conventions described. Thus, Section 1126 does not create a federal cause for unfair competition for U. S. citizens against other U. S. citizens.

Quite apart from the obvious soundness of this analysis of the statute, the interpretation for which petitioners contend would render meaningless 28 U. S. C. 1338(b), enacted in 1948, two years after the passage of the Lanham Act. 28 U. S. C. 1338(b) provides:

> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

Obviously if Congress had intended the Lanham Act to create a federal cause for unfair competition it would not have enacted 28 U. S. C. 1338(b), since the latter would be superfluous and meaningless. The passage of 28 U. S. C. 1338(b) is clear evidence, therefore, that 15 U. S. C. 1126(b)(h)(i) does not create a federal cause for unfair competition. *Ross Products, Inc.* v. *Newman,* 94 F. Supp. 566 (S. D. N. Y., 1950); *Ibid.,* 66 Harvard Law Review, 1102, 1103.

Incidentally, it may be noted that Daphne Robert from whose post-Lanham Act Commentary petitioners quote to sustain their contention that the Lanham Act created a federal cause for unfair competition, apparently had a different view in 1944 when testifying before the House Subcommittee of the Committee on Patents. At that time Miss Robert stated that Section 1126 was designed to carry out our international conventions but did not suggest that it created a federal law of unfair competition. *Ibid.*, 66 Harvard Law Review, 1102n.

Clearly, any contention that the Lanham Act creates a federal cause for unfair competition rests upon a strained statutory construction. Even policy-wise there is little to be said for it, because the broadened scope of the Lanham Act (relaxing registration requirements providing for registration of collective and certification marks), the increasingly liberalized requirements for pendant jurisdiction and the distinct tendency of the state courts to follow federal precedents have all but eliminated the need of achieving uniformity through a federal law of unfair competition. *Ibid.*, 66 Harvard Law Review, 1104, 1105.

POINT III

Petitioners' papers contain several material inaccuracies.

Petitioners state at page 3 of their petition that the Court of Appeals did not pass upon respondent's defenses. This is not correct. The Court of Appeals expressly prohibited the District Court from passing on the merits summarily, saying:

> "* * * We do not now decide anything about the defenses, except that if the court should conclude that it has jurisdiction over the action it should not attempt to dispose of the merits summarily, but only after a trial. We think that the defenses present issues that are by no means frivolous, and that may be decided only after the facts are fully developed."

It is respectfully submitted that the Court of Appeals has sustained the legal validity of respondent's defenses.

Petitioners state at pages 6 and 13 that respondent admitted his use of the letters "AAA" within an oval was intended to give motorists the impression that respondent was in some way affiliated with petitioners (181-183). This is not so and the portions of the record cited to sustain petitioners' contention plainly do not.

It is clear respondent did not erect his sign in an effort to get a free ride on petitioners' shirt tail, but rather to combat as best he could the illegal uses to which petitioners had put their mark (78, 175-177, 179, 182); illegal uses which were ruining his business (128, 129, 175, 176). Respondent sought only to achieve equality of competitive position. Visual comparison shows respondent's sign would not lead a reasonable man to believe respondent is affiliated with the Club, but is designed to convey the idea that the motorist will get the same discount at respondent's as at an affiliated station (361-363; Exs. 2, 3, Spiegel's affid.; Spiegel's affid., both unnumbered Exs.; 182, 349-351, 355-357; Ex. 3, Powers' affid.).

CONCLUSION

Petitioners' application should be in all respects denied.

Respectfully submitted,

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